

**MEMORANDUM OF UNDERSTANDING**  
**for**  
**Department of Corrections**  
**Montana Women's Prison**

This Memorandum of Understanding is made and entered into between the Montana Department of Environmental Quality, hereinafter referred to as DEQ and the Department of Corrections, hereinafter referred to as DOC.

**Background**

The State Building Energy Conservation Program reduces operating costs in state facilities by identifying and funding cost-effective energy efficiency improvements. Through this program, the state sells general obligation bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the resulting energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service.

The Department of Environmental Quality contracts with private engineering firms to perform comprehensive energy analyses on state buildings and building complexes. The engineering firms recommend cost-effective energy improvements that could be made to these buildings.

Actual savings are the actual energy costs for the building subtracted from the costs that would have existed if the energy project had not been implemented. In some cases, the energy consumption of the building before the energy project can be used to determine what costs would be expected without the energy improvements. This is referred to as the base case. However, in many instances, the base case consumption would change due to weather conditions, occupancy changes, or other changes made to the building independent of the energy improvement project. In those instances, the actual savings would be determined by referencing a "modified base case" which would be determined by an engineering model.

Estimated savings are projected savings based on engineering models using average weather condition, anticipated occupancy and building operation parameters, and current fuel rates. These estimated savings are captured and deposited into the debt service account to cover the debt service payment on the 10-year general obligation bond.

### **Purpose**

The DOC desires to participate in the program, and engineering studies have determined that cost-effective energy improvements could be made to the Montana Women's Prison. It is the state's intent to capture the energy savings and use these savings to pay the debt service on the bonds pursuant to § 90-4-601, MCA, et seq.

Estimated energy savings and the useful life of the retrofit project(s) are listed below. DEQ will update the estimated energy savings as the project progresses. At a minimum DEQ will update the energy savings at completion of the final design and acceptance of the bid. Any revision to the estimated energy savings shall be attached to this Memorandum of Understanding as an amendment and shall be signed by both parties to this agreement.

<b>Project</b>	<b>Estimated Energy Savings</b>	<b>Useful Life of Retrofit</b>
Boiler replacement	\$2,500	15 years
Fuel Oil Back-Up System	\$15,000	15 years
<b>Total</b>	<b>\$17,500</b>	

In order to achieve the economies of scale necessary for bond financing, DEQ aggregates several projects of various size into one large bond package. The economic return will vary from project to project. However, it is the state's intent to capture the energy savings from all projects and deposit the savings in the debt service account. Section 90-4-614, MCA requires all funds in excess of those necessary to retire the debt service to flow into the Long Range Building Program account.

DEQ shall collect and evaluate energy use data to determine if the energy improvements are performing as expected, but energy savings captured are expected to remain constant once the project is completed.

If actual savings do not exceed the debt service for reasons that are beyond the control of the program, the agency is still required to pay the debt service and program costs associated with that project. Examples of such instance would be if a building is sold, if changes made to the building after the energy project reduce

or eliminate the possibility of energy savings, or if the agency chooses not to maintain or operate the energy-savings equipment or building. The agency shall contact DEQ with concerns about their ability to achieve energy savings from the projects as soon as the agency is aware of a potential problem.

DEQ uses state building program funds to leverage utility contributions wherever feasible, negotiating cost-share arrangements with the utility. Typically a utility contribution makes it possible to do work beyond what meets bond financing limits, thus installing improvements that otherwise could not be funded. In these cases, savings resulting from projects with utility contributions will also be considered when calculating savings transfers.

The state shall begin collecting the energy savings from an agency in the fiscal year their project is substantially completed. If the agency does not recognize a full year of energy savings due to the completion date of the project, DEQ will request a partial payment based on the percentage of annual savings recognized. **The first year in which energy savings will occur for this project is FY07, with 100% of the savings, or \$17,500.** Pursuant to § 90-4-614, MCA, the agency shall disburse the energy savings as requested by DEQ. These payments shall be from the agency's utility budget and expensed in 2608, SBP Energy Savings.

In the biennia thereafter the state shall capture the energy savings in the budgeting process. The estimated energy savings provided to the budget office by DEQ shall be used to make the following adjustments to participating agencies' budgets in the first fiscal year following the year in which the project is completed:

1. Object Code 2608, SBP Energy Savings, has been added to the budget templates.
2. The amount of the energy savings as determined by DEQ's report to the budget office for each fiscal year of the biennium will be entered on the SBP Energy Savings line.
3. The utility budget (object codes 2601 and/or 2603) will be decreased by an equal amount.

Agencies shall disburse the amount designated for energy debt service at DEQ's request. DEQ shall deposit the amounts disbursed by the agencies into the debt service account.

This Memorandum of Understanding shall remain in effect until June 30, 2017.

5/16/06  
Date

  
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